

**WHATCOM COUNTY PUBLIC UTILITY DISTRICT No. 1**  
**Whatcom County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. The District's Fixed Asset Control System Should Be Strengthened

Our audit of the district's fixed asset system revealed the following weaknesses:

- a. There is no written fixed asset policy.
- b. Physical inventories of assets are not performed on a periodic basis.
- c. There are inadequate fixed asset system controls to ensure all assets are recorded and included in the fixed asset records and all dispositions of surplus property are recorded.
- d. There is a lack of district identification tags and records of asset serial numbers for maintenance and office equipment.

RCW 43.09.200, Local government accounting - Uniformed system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class . . . .

The State Auditor's Office has prescribed Bulletin 401, *Proprietary Accounting Procedures*. Section V.A. of the Bulletin, Fixed Asset System Requirements, states in part:

General Requirements

Accountability for fixed assets is required of all local governments, regardless of size. In addition, fixed asset accounting is required for cities and counties of over 8,000 population and for any governmental enterprise (such as an airport or a water utility) or special purpose district (library, fire district, water or sewer district, etc.) if operating revenues exceed half a million dollars . . . .

The Bulletin further states on page 76:

V.B. Establishing a Fixed Asset System

Designing and establishing your fixed asset accounting system requires systematic planning . . .

Establishing the objectives of the fixed asset systems and making permanent policy decisions which will shape both the initial establishment of your fixed asset inventory and maintenance of the system . . . .

The Bulletin further states on page 90:

V.E. Updating the Fixed Asset System: Physical Inventory

A physical inventory of the fixed asset is necessary to verify that the assets still exist; it also provides updates on the condition of the assets. This information demonstrates that your entity is exercising its custodial responsibility for the asset and is beneficial when establishing an insurance claim because it substantiates both the existence and the condition of the asset near the time of loss or damage . . . .

The Bulletin further states on page 81:

V.D. Updating the Fixed Asset System: Accounting

Once the fixed asset system is in operation, your government needs to make sure that assets which should be capitalized are properly recorded and that records are brought up to date when assets are disposed of . . . .

The weaknesses noted in the fixed assets internal control system are the result of the district's relatively low level of importance placed on the system. The district, therefore, has not allocated enough time and resources to ensure an adequate system is in place.

The lack of adequate policies, procedures, and controls over fixed assets increases the likelihood errors and/or irregularities could occur and go undetected by the district.

We recommend the district:

- a. Develop and implement a fixed asset policy to increase the district's accountability for fixed assets.
- b. Perform periodic fixed asset physical inventories and reconcile those inventories to the fixed assets records.
- c. Implement adequate system controls to ensure all fixed asset acquisitions and dispositions are properly entered in the fixed asset records.
- d. Implement procedures which identify all assets by identification tag and serial number.